



**China Council for International Cooperation on Environment and
Development (CCICED)**

**Progress Report of CCICED Pilot Project on
Shanghai Green Supply Chain**

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1. Project Profile

To implement the CCICED policy recommendations on green supply chain management, the Shanghai Environmental Protection Bureau collaborated with other relevant departments, enterprises, research institutions and social organizations to launch the pilot project on green supply chain (GSC) management in Shanghai. With strong support from the CCICED, the project was officially approved as a CCICED Phase V Policy Pilot Project. The inception meeting was held in March 2013 in Shanghai. Through the demonstration activities on green supply chains in enterprises including Bailian Group, Shanghai GM, and IKEA, the project aims to improve awareness for, and the capability of enterprises to enact green supply chain management, as well as to establish a pattern and specifications for green supply chains of relevant industries. The pilot project is expected to be a reference for innovative environmental administration approaches, for promoting energy conservation and pollution reduction, and for building an “ecological civilization”.

2. Overall Progress and Achievements

With the strong support of the CCICED Secretariat and Chief Advisor Supporting Team of the CCICED, the project team worked closely with the pilot enterprises to fulfill each task. So far, much progress has been made, as detailed below.

2.1 Demonstration activities of enterprises on green supply chain

After multiple discussions and on-site investigations, the demonstration activities related to each enterprise were decided based on their business characteristics and current status of supply chain management. The first phase of the work was carried out in the first half of the year.

- **IKEA’s Water Efficiency Promotion Project:**

Shanghai Guanhua Stainless Steel Products Co. Ltd (Chongming, Shanghai), Anhui Donglong Garments Co. Ltd (Wuwei, Anhui) and two other suppliers were involved in the IKEA pilot project. Based on the project team’s on-site evaluation of the four suppliers, the water efficiency promotion work was initiated for Guanhua Stainless Steel Products Co. Ltd. So far, the first phase of the scheme on water conservation has been implemented by this enterprise, and there have been significant achievements. If the water conservation and waste water treatment renovation schemes are all fulfilled as proposed, the following reductions are estimated: the amount of fresh water usage could be reduced by 40%; waste water treatment cost could be cut by 50%; the chemical oxygen demand (COD) load could be reduced by

23.91 tons/year; the amount of sludge generated from waste water treatment could be reduced by 300 tons/year; industrial waste water would reach zero emissions. As for the activities of Anhui Donglong Garments Co. Ltd, optimization of the water measurement network and recollection of condensate water in the bleaching and dyeing process have been completed. The next step entails the specific evaluation of the water saving potential for the enterprise.

- Pilot project of Shanghai GM:

Shanghai GM plays a leading role in setting up the green supply chain system in the automobile sector. A third-party professional institution was entrusted to conduct an environmental performance assessment and to develop the continuous green improvement scheme for the suppliers. Thirty-three suppliers have been involved in the continuous improvement project this year. It will be finished early next year. Meanwhile, Shanghai GM pushed forward the green design of “to-be-built” workshops for the suppliers nationwide, so as to facilitate energy conservation and pollution reduction at the source. So far, future workshop construction plans for 14 suppliers have been reviewed and recommendations for improvement have been made. Similar work for five other suppliers is currently underway.

- Lianhua Supermarket Pilot Project of Bailian Group:

Bailian Group is dedicated to green supply chain awareness promotion from the high management level to the supplier level. Joining the “Project of 3 Greens” (Green Consumption, Green Market and Green Access), Lianhua Supermarket (Holdings) Co. Ltd, a Bailian Group subordinate company, undertook green renovations and promoted green consumption. The green renovation of Lianhua Supermarket’s Hongkou Store has now been completed. As a result of the upgrade and renovation, 800,000 kWh electricity will be saved and 765 tons of CO₂ will be reduced each year.

2.2 Trainings and Seminars on Green Supply Chain

To promote widespread awareness of the green supply chain concept and pilot enterprise capability, special training sessions were organized according to the business characteristics and current status of different enterprises. The training on environmental compliance and environmental policy for Shanghai GM and its suppliers was held in June. Training on green supply chain best practices was held in July 2013 for Shanghai Lianhua Supermarket. More than 50 suppliers participated in the training events. Awareness for social and corporate responsibilities, and particularly enterprises’ environmental responsibility, has increased. More enterprises have started to reconsider supplier management and cooperation strategies so as to push forward green supply chain building. According to the work plan, special training on energy conservation and pollution reduction technologies for IKEA will be organized soon.

The project team joined the pilot enterprises for various seminars. In May, the project team attended and delivered keynote speeches at the CCICED high-level seminar on green supply chain management held in Shanghai. In June, some representatives participated in the green supply chain seminar co-organized by the Shanghai Environmental Protection Bureau and EU Commercial Chamber (Shanghai). Some project representatives were invited by CCICED to attend an ecological

footprint and sustainable consumption seminar held in Beijing and green supply chain training held in Tianjin. Through these activities, the green supply chain concept has been disseminated and many ideas have been collected, which will be very helpful for the next phase of the work.

2.3 Green Supply Chain Guidelines and Specifications

The technical guidelines and specifications for green supply chains were drafted for the pilot enterprises. The technical documents will be useful for the enterprises to improve their resource utilization efficiency and to strengthen the establishment of corporate social responsibility. So far, the drafts of IKEA Supply Chain Water Saving Management and Shanghai GM Green Supply Chain Normative Handbook have been completed. The project experts will discuss and review the documents with the enterprise managers with a view to implementation and further improvements. The Green Store Evaluation Standard for Lianhua Supermarket will be drafted following the completion of these steps.

2.4 Green Supply Chain Website

A green supply chain website will be established to further disseminate the green supply chain concept and promote interaction among government, enterprises and the public. It is expected that the website will showcase green supply chains by introducing regulations & policies, best practices, pilot projects, green information, and technical exchange possibilities. In the future, along with the development of the green supply chain, the website will function as a consulting & service platform and as an information management system for green supply chains. The functional development and webpage design has been finished. The website was launched by the end of September 2013.

2.5 Green Supply Chain Theme Dissemination Activities and Public Participation

In honor of the World Environment Day, the green supply chain dissemination activities were conducted respectively in the Hongkou Store of Shanghai Century Lianhua Supermarket and Xuhui Store of IKEA Shanghai on June 2nd and June 5th. The theme of the activity was *Encouraging Green Consumption, Promoting Green Lifestyle*. The knowledge and concepts related to green consumption and green supply chains were disseminated to the public through questionnaires, surveys, posters, videos and volunteer introductions.

The activity attracted great attention and elicited impassioned participation from citizens. More than 1200 questionnaires have been collected. This program helped consumers pay more attention to energy consumption and environmental issues during the manufacturing process. Public awareness of green concepts and sustainable consumption are expected to improve during such kinds of activities, which may also contribute to creating a sound social environment for green supply chain management.

2.6 Policy Recommendation Research on green supply chain (GSC) Development

Based on surveys and analyses of the pilot enterprises, the project team has

managed to communicate widely with Shanghai-based global enterprises, commercial chambers, academic and research institutions, governmental departments and others. With a deep understanding of advanced foreign experiences and the current situation in domestic markets, the project team attempted to identify the barriers to GSC development in Shanghai and the corresponding solutions. The team analyzed two potential policy recommendations for a green logistics consortium and formulated a GSC promotion platform with a tentative scenario.

3. Current Problems

3.1 Inadequate Green Incentives for Enterprises

Low prices for environmental damaging or scarce resources and low costs of environmental violations are the main barriers to enterprises' willingness to improve their environmental performance. Therefore, enterprises are reluctant to participate in environmental protection projects. For example, IKEA's suppliers are unwilling to join the water efficiency project due to the comparatively low price of water. On the other hand, some incentives are inadequate to facilitate GSC development. Currently, existing incentive policies are issued by different governmental departments and lack coherence. Sustainable development policies and commercial policies are often conflicting. Many enterprises are intimidated by the high cost of implementing GSC at the very beginning of their business. These problems hinder the development of GSC as a whole.

3.2 Lack of effective enterprise-oriented platforms

With a rising awareness of corporate social responsibility, enterprises are being demanded to manage their environmental impact. However, most enterprises, particularly small and medium-sized suppliers, lack basic knowledge of environmental regulations, technologies, and solutions. Meanwhile, top-level policy designs are insufficient to promote GSC development. Reputation-enhancing grants or publicity mechanisms for enterprises that are pioneers in GSC have yet to be established. Enterprise-oriented platforms that may help companies to solve their environmental problems are not in place either. All of these problems make it even more difficult to promote GSC development and to produce large-scale impacts.

3.3 Schedule mismatching between pilot enterprise and the general project

The three pilot enterprises have set up different targets for their pilot suppliers in the project according to the different characters and demands of the suppliers. The pilot suppliers' involvement in this GSC project is therefore different in terms of resource investment, engineering scale and operational cycles. Some projects are small in scale with short engineering periods and quick benefits, such as IKEA's water efficiency project. Other projects need a comparatively longer construction cycle, which may not be completed before the end of the general project and therefore do not produce timely outcomes, such as Bailian Group's waste water treatment improvement project. This problem may affect the willingness of the suppliers to take part in this project.

4. Future Work

4.1 Further plans for the pilot projects

According to the schedule that was set for the three pilot enterprises, the next steps will facilitate the development of the management system and the targets will be reached within this year. Several more suppliers intend to be involved in the pilot project.

4.2 Facilitate information sharing and publicity on GSC development

More efforts will be made to facilitate information sharing among pilot enterprises and pilot districts. International workshops on GSC will be highlighted. The dissemination of relevant information will be initiated with the help of industry associations and foreign commercial chambers.

4.3 Improve the formulation and dissemination of relevant technical documents

Based on the outcome of the research and surveys, relevant associations and experts will be invited to evaluate and revise the technical documents that will be provided for the enterprises during their GSC trial. After a trial period, the technical documents are expected to become internal guidelines for the enterprise's daily management.

4.4 Modify GSC policy recommendations

Based on current thinking, targeted research and consultations will be conducted to analyze the feasibility, operability and effectiveness of the policy recommendations, such as the development of a platform to promote GSC. Detailed methods on how to realize and implement these policy recommendations will be specified.

5. Expected Outcomes

5.1 Complete the pilot projects of the first group of enterprises and quantify their environmental benefits.

5.2 Complete and improve normative technical documents for the pilot enterprises: the Green Supply Chain Normative Handbook for GM, Green Store Evaluation Criteria for Shanghai Commercial and Trade Enterprises, and Water Conservation Criteria for IKEA Suppliers.

5.3 Provide the best practices for more GSC pilot enterprises, to offer a basis for the specification, certification and commercial operation of GSC management.

5.4 Guide the public to actively and voluntarily participate in green consumption and to improve the public awareness on GSC management and green consumption.

5.5 Provide more operational policy tools for government departments to contribute to more efficient environmental management.

(The report is provided by Environmental Protection Bureau (EPB) of Shanghai)